GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:792
ANSWERED ON:04.03.2005
NON BANKING FINANCE COMPANIES
Gadakh Shri Tukaram Gangadhar;Murmu Shri Rupchand

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has initiated action against major defaulting Non-Banking Financial Companies (NBFC);

(b) if so, the details thereof;

(c) the details of major NBFCs having mobilised deposit of more than Rs. 20 crores from the public and the present status of these NBFCs; and

(d) the action taken by RBI/Company Law Board against CEAT Financial, Indian Seamless Financial and other such NBFCs?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) : - Comprehensive regulatory framework has been put in place empowering Reserve Bank of India (RBI) to take various actions against errant Non-Banking Financial Companies (NBFCs) for various defaults and contravention of provisions of RBI Act and directions issued thereunder. RBI has rejected applications for Certificate of Registration (CoR) in the case of 4819 deposit talcing/holding companies while, CoRs have been cancelled in the case of 140 such companies as on December 31,2004.RBI has filed winding up petition against 73 NBFCs and criminal complaints in 58 cases. Besides, police complaints have also been filed in 24 cases.

(c) :- RBI have further reported that there are 26 companies having public deposits of Rs. 20 crores and above involving an aggregate deposit of Rs. 17,772.16 crores as on December 31, 2004 out of which 10 companies are problem companies i.e. defaulting in repaying of deposits involving a sum of Rs. 1222.06 crores.

(d):- CEAT Financial Services Ltd.:- RBI have reported that considering the weak financial position of CEAT Financial Services Ltd., renamed as CFL Capital Financial Services Ltd., the CoR of the company has been cancelled on May 18, 2004. Prohibitory Orders have also been issued against acceptance of deposits and alienation of assets on May 18, 2004. The Company Law Board (CLB) has passed a revised Order dated April 30, 2004 rescheduling repayment of deposits over a period upto March 2008. So far the company has been complying with the above CLB Orders. Indian Seamless Financial Services Ltd. :- The company was merged with Indian Seamless Securities Ltd. (since renamed as Indseam Services Ltd.) vide the Hon`ble Bombay High Court`s orders dated November 23, 2003. The company was holding public deposits of Rs. 5.95 crore as on March 31, 2003. Consequently, the CoR issued to the above company was cancelled. As per the Hon`ble Bombay High Court`s approved scheme of merger, the transferee company, viz. Indseam Securities Ltd. has taken over the deposit liability of the transferor company and as such is responsible for repayment of deposits.